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March 12, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-129, Boston Edison Company, d/b/a NSTAR Electric

Dear Secretary Cottrell:

Dear Ms. Cottrell:

Enclosed please find the Brief of Boston Edison Company d/b/a NSTAR Electric in the above-referenced proceeding.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Werlin". The signature is fluid and cursive, with the first name "Robert" being more prominent and the last name "Werlin" following in a similar style.

Robert N. Werlin

Enclosure

cc: Service List

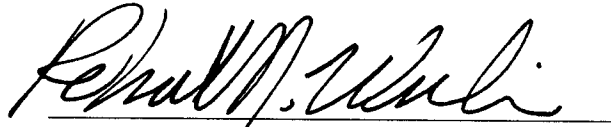
COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company d/b/a NSTAR Electric)
_____))

D.T.E. 03-129

CERTIFICATE OF SERVICE

I certify that I have this day served the foregoing document upon the Department of Telecommunications and parties of record in accordance with the requirements of 220 C.M.R. 1.05 (Department's Rules of Practice and Procedures).



Robert N. Werlin, Esq.
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Dated: March 12, 2004

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company
d/b/a NSTAR Electric

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D.T.E. 03-129

**BRIEF OF BOSTON EDISON COMPANY
d/b/a NSTAR ELECTRIC**

Submitted by:

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Dated: March 12, 2004

TABLE OF CONTENTS

| | |
|---|----|
| I. INTRODUCTION..... | 1 |
| II. DESCRIPTION OF THE PROPOSED FINANCING..... | 2 |
| A. The Debt Securities..... | 2 |
| B. Capital Structure of the Company..... | 3 |
| III. STANDARD OF REVIEW | 4 |
| IV. THE COMPANY’S PROPOSAL MEETS THE DEPARTMENT’S STANDARD OF REVIEW UNDER G.L. c. 164. | 6 |
| A. The Company Has Demonstrated That Its Proposal Meets the Department’s Standard for Issuing Long-Term Indebtedness..... | 6 |
| B. The Company Has Demonstrated That It Is in the Public Interest To Grant the Company an Exemption from the Requirements of G.L. c. 164, § 15. | 10 |
| C. The Company Has Demonstrated That its Proposal Warrants the Department Granting the Company an Exemption from the Requirements of G.L. c. 164, § 15A. | 12 |
| V. CONCLUSION | 15 |

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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| Boston Edison Company |) | |
| d/b/a NSTAR Electric |) | D.T.E. 03-129 |
| _____ |) | |

**BRIEF OF BOSTON EDISON COMPANY
d/b/a NSTAR ELECTRIC**

I. INTRODUCTION

On December 12, 2003, Boston Edison Company d/b/a NSTAR Electric (“NSTAR Electric” or the “Company”) filed an Application (the “Application”) with the Department of Telecommunications and Energy (the “Department”) for approval and authorization, pursuant to G.L. c. 164, § 14, as amended, to issue long-term debt securities (the “Debt Securities”) in an aggregate amount not to exceed \$500 million. In addition, the Application requests exemptions from the requirements of G.L. c. 164, § 15 (regarding competitive bidding for securities) and G.L. c. 164, § 15A (par-value requirements). As discussed herein, the record in this proceeding shows that the Company has met the Department’s standard under G.L. c. 164, §§ 14, 15 and 15A for the approval and authorization of the Debt Securities and the requested exemptions. Accordingly, the Department should approve the Company’s request to issue up to \$500 million in Debt Securities.¹

¹ The Department held an evidentiary hearing in this proceeding on February 26, 2004. In addition to the testimony presented at the evidentiary hearing, the record contains 37 exhibits and the responses to six record requests issued by the Department (Tr. at 16, 58-59).

II. DESCRIPTION OF THE PROPOSED FINANCING

A. The Debt Securities

In this filing, NSTAR Electric seeks authorization for the issuance of up to \$500 million of Debt Securities (Exh. BE-1, at 2). The Company requests authorization to sell and issue such Debt Securities from time to time on or before December 31, 2005 (id.). The Debt Securities would consist of: (i) unsecured notes or debentures (“Debentures”) to be issued pursuant to the Company’s 1988 Indenture; or (ii) other evidences of indebtedness consisting of loans from a bank or syndicate of banks and/or other institutional or governmental lenders such as one or more insurance companies or certain governmental agencies (“Term Loans”) or from a municipal agency issuing tax-exempt bonds on behalf of the Company (“Tax-Exempt Loans”), such Term Loans and Tax-Exempt Loans to be either unsecured or secured by individual parcels of real property or other specified assets or, in the case of Tax-Exempt Loans, municipal bond insurance (id. at 5-6).

The net proceeds of such sales and issuances will be applied: (a) to the payment at maturity of certain outstanding long-term debt securities; (b) for the refinancing of long-term debt and/or equity securities; (c) for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company’s plant and properties, or for the payment of obligations of the Company incurred for such purposes; (d) for the repayment of short-term debt balances; (e) in the case of Tax-Exempt loans, debt service reserve funds and similarly required funds; and/or (f) for general working capital purposes (id. at 2).

B. Capital Structure of the Company

At September 30, 2003, Boston Edison had issued and outstanding: (a) \$18,000,000 Cumulative Preferred Stock, 4.25% Series; (b) \$25,000,000 Cumulative Preferred Stock, 4.78% Series; (c) \$75 Common Stock (par value); and (d) \$278,795,159 Premium on Common Stock (Exh. BE-1, at 4; Exh. BE-3). In addition, at September 30, 2003 the Company had \$806,000,000 in long-term unsecured debentures under its Indenture dated as of September 1, 1988 with the Bank of New York (formerly Bank of Montreal Trust Company), as trustee (hereinafter referred to as the 1988 Indenture) (id.).² In addition, as of September 30, 2003, the Company had outstanding \$15,000,000 aggregate principal amount of 5.75% Massachusetts Industrial Finance Agency Pollution Control Revenue Refunding Bonds, 1994 Series A (Boston Edison Company Project) (id.).

As of September 30, 2003, the Company had authorized 8,000,000 shares of Preference Stock par value of \$1.00 per share of which no shares are outstanding (Exh. BE-1, at 4). As of September 30, 2003, the Company had \$118,000,000 of commercial paper

² The \$806,000,000 figure consists of the following long-term unsecured debentures:

| <u>Series</u> | <u>Maturity Date</u> | <u>Principal Amount</u> |
|---------------|----------------------|-------------------------|
| Floating | October 15, 2005 | \$100,000,000 |
| 7.80% | May 15, 2010 | 125,000,000 |
| 4.875% | October 15, 2012 | 400,000,000 |
| 7.80% | March 15, 2023 | 181,000,000 |

With respect to the Floating Series, the interest rate for the period October 15, 2003 to January 15, 2004 is 1.65 percent (Exh. BE-1, at 3).

outstanding (Exh. BE-1, at 4; Exh. BE-3).³ The Company also maintains credit arrangements with various banks totaling \$350,000,000, which provide for short-term borrowings by the Company (id. at 5), to provide liquidity or collateral support for the Company’s commercial paper program (id.; Tr. at 32). As of September 30, 2003, the Company had no short-term borrowings outstanding pursuant to such credit arrangements (id.).

III. STANDARD OF REVIEW

In order for the Department to approve the issuance of stock, bonds, coupon notes or other types of long-term indebtedness⁴ by an electric or gas company, the Department must determine whether the proposed issuance is reasonably necessary to accomplish some legitimate purpose in meeting a company’s service obligations, pursuant to G.L. c. 164, § 14. Boston Edison Company, D.T.E. 00-62, at 2 (2000); Fitchburg Gas & Electric Light Company v. Department of Public Utilities, 395 Mass. 836, 842 (1985) (“Fitchburg II”), citing Fitchburg Gas & Electric Light Company v. Department of Public Utilities, 394 Mass. 671, 678 (1985) (“Fitchburg I”). In addition, the Department must apply the so-called net plant test set forth in G.L. c. 164, § 16.⁵ Colonial Gas Company, D.P.U. 84-96 (1984).

³ At the time of the evidentiary hearing, the \$193.5 million of commercial paper was outstanding (Tr. at 32).

⁴ “Long-term” refers to periods of more than one year after the date of issuance. See, e.g., Boston Edison Company, D.T.E. 00-62, at 2, fn.2.

⁵ When the Department approves an issue of new stock, bonds or other securities by a gas or electric company, it determines whether the fair structural value of the plant and of the land and the fair value of the nuclear fuel, gas inventories or fossil fuel inventories owned by such company is less than its outstanding stock and debt, and it may prescribe such conditions and requirements as it deems best adapted to make good within a reasonable time the impairment of the capital. See G.L. c. 164, § 16.

The Supreme Judicial Court has found that, for the purposes of G.L. c. 164, § 14, “reasonably necessary” means “reasonably necessary for the accomplishment of some purpose having to do with the obligations of the company to the public and its ability to carry out those obligations with the greatest possible efficiency.” Fitchburg II at 836, citing Lowell Gas Light Company v. Department of Public Utilities, 319 Mass. 46, 52 (1946). In cases where no issue exists about the reasonableness of management decisions regarding the requested financing, the Department limits its section 14 review to the facial reasonableness of the purpose to which the proceeds of the proposed issuance will be put. Canal Electric Company, et al., D.P.U. 84-152, at 20 (1984); see, e.g., Colonial Gas Company, D.P.U. 90-50, at 6 (1990). Regarding the net plant test, a company is required to present evidence that its net utility plant (original cost of capitalizable plant, less accumulated depreciation) equals or exceeds its total capitalization (the sum of its long-term debt and its preferred and common stock outstanding) and will continue to do so following the proposed issuance. Colonial Gas Company, D.P.U. 84-96, at 5 (1984).

The Department may exempt a company from the competitive bidding/advertisement requirements of G.L. c. 164, § 15, if it finds that an exemption is in the public interest. The Department has found that it is in the public interest to grant such an exemption where flexibility is necessary for a timely issuance of securities. Boston Edison Company, D.T.E. 00-62, at 3-4 (2000), citing Western Massachusetts Electric Company, D.P.U. 88-32, at 5 (1988); Eastern Edison Company, D.P.U. 88-127, at 11-12 (1988); The Berkshire Gas Company, D.P.U. 89-12, at 11 (1989);

Similarly, if the Department finds it in the public interest, it will grant an exemption from the requirement of G.L. c. 164, § 15A, which generally prohibits securities to be issued at less than par value. The Department has found that it is in the public interest to grant an exemption from section 15A where: (1) market conditions make it difficult to price a particular issue at par value and simultaneously offer an acceptable coupon rate to prospective buyers; or (2) enhanced flexibility lowers interest rates and cost of capital. Boston Edison Company, D.T.E. 00-62, at 3-4 (2000), citing Bay State Gas Company, D.P.U. 91-25, at 10 (1991); Boston Gas Company, D.P.U. 92-127, at 8 (1992); Boston Edison Company, D.P.U. 91-47, at 12-13 (1991).

IV. THE COMPANY'S PROPOSAL MEETS THE DEPARTMENT'S STANDARD OF REVIEW UNDER G.L. c. 164.

A. The Company Has Demonstrated That Its Proposal Meets the Department's Standard for Issuing Long-Term Indebtedness.

In this case, the Company has demonstrated: (1) that the issuance of Debt Securities is reasonably necessary to accomplish some legitimate purpose in meeting the Company's service obligations, pursuant to G.L. c. 164, § 14; and (2) that its net utility plant (original cost of capitalizable plant, less accumulated depreciation) equals or exceeds its total capitalization (the sum of its long-term debt and its preferred and common stock outstanding less retained earnings), pursuant to G.L. c. 164, § 16.

The record shows that the Company's stated purposes for the proposed Debt Securities are legitimate in meeting the Company's service obligations. The Company demonstrated that it intends to use the proceeds from the Debt Securities: (a) to the payment at maturity of certain outstanding long-term debt securities; (b) for the refinancing of long-term

debt and/or equity securities; (c) for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company's plant and properties, or for the payment of obligations of the Company incurred for such purposes; (d) for the repayment of short-term debt balances; (e) in the case of tax-exempt loans, debt service reserve funds and similarly required funds; and/or (f) for general working capital purposes (Exh. BE-1, at 2). The Department has approved the use of financing proceeds for these purposes in the past. See The Berkshire Gas Company, D.T.E. 00-36, at 9 (2000) (approved the use of financing proceeds to finance the company's liquefied natural gas facility); The Berkshire Gas Company, D.T.E. 98-129, at 8 (1999) (approved the use of financing proceedings to refinance debt originally incurred to finance construction expenditures and system betterments); Essex County Gas Company, D.P.U. 92-188, at 7 (1992) (approved the use of financing proceedings to repay short-term debt, to finance construction work in progress and to meet the company's working capital requirements). Accordingly, the Company has demonstrated that the proceeds from the Debt Securities are reasonably necessary for legitimate purposes in meeting the Company's service obligations.

The Company proposed that it be permitted the flexibility to enter into either a fixed-rate or a variable-rate securities over the term of the financing plan, but in either event, the maximum interest rate would not exceed 10 percent (Exh. BE-1 at 7). As explained during hearings, the two maximum rates were determined independently, based on market conditions, and it is a "coincidence" that the appropriate maximum level for both fixed and variable rates happens to be 10 percent (Tr. at 53-56; see also Exh. DTE-1-4; Exh. DTE-3-1).

For the fixed rate, the Company testified that, in the case of \$500 million of debt securities, as little as a 10 basis point movement in interest rates (1/10 of 1 percent) can result in \$500,000 of additional interest expense each year over the life of the issuance (RR-DTE-5). The Company also provided information to the effect that interest rates continue to remain volatile and that A-rated utility rates have varied from as low as 5.11 percent to as high as 8.5 percent over a three and one-half year period (RR-DTE-6). As of February 27, 2004, interest rates on A-rated utility bonds were 5.7 percent. Given market volatility (RR-DTE-6) and the term of the financing plan (authority to issue securities would expire December 31, 2005), a 10 percent maximum is consistent with market conditions and consistent with Department precedent. D.T.E. 00-62, at 13 (2000) (Department approved a fixed-rate maximum of 11 percent when rates were approximately 200 basis points higher than now) (Exh. DTE-3-1).

With respect to the variable rate cap, the level of the cap is a function of two factors: (1) the term of the security; and (2) the level of short-term interest rates being realized in the market at this time. On the first issue, the Company established that investors generally do not like to buy variable-rate securities that have an interest rate cap. This is because investors believe that the Company should take all interest rate movement risk when the interest rate is variable (Tr. at 25-26). However, if the interest rate cap provides sufficient flexibility over the life of the issue, investors will accept an interest rate cap and not charge a higher interest rate. The longer the life of the security, the higher the cap must be for investors not to charge extra because of the cap. The maximum for variable-rate securities is lower than in 2000 (when the Department approved the Company's financing in D.T.E. 00-62) in part because the market is presently requiring that variable-rate instruments be for a relatively short term (Tr. at 54). The

longer-term, variable rate instruments contemplated in D.T.E. 00-62 required the higher, 20 percent maximum, but the shorter-term variable-rate instruments now being marketed would allow a lower cap (Exh. DTE-3-1). A 10 percent maximum rate for a shorter-term (three years) security would not result in any additional interest cost (id.). On the issue of current market rates, the 10 percent cap for variable-rate securities is consistent with historically low interest rates being offered in today's financial markets. Interest rates, in general, are significantly below those in 2000 (see RR-DTE-6, Attachment RR-DTE-6).

Thus both factors permit a rate cap for a variable-rate security significantly below the 20 percent maximum approved by the Department in D.T.E. 00-62. Accordingly, the Department should approve a maximum interest rate 10 percent for both fixed-rate and variable-rate securities.

The Company has also demonstrated that it meets the Department's standards with regard to the net plant test. The Company's net capitalizable plant of \$2,008,168,602 (which equals the Company's original cost of capitalizable plant, less accumulated depreciation) exceeds its total capitalization of \$1,142,795,234 (the sum of its long-term debt and its preferred and common stock outstanding) by \$865,373,368 (Exh. BE-1, at 5; Exh. BE-3; Exh. BE-4). Therefore, the Company demonstrated that it meets the net plant test pursuant to G.L. c. 164, § 16 because its net capitalizable plant will exceed its total capitalization following the proposed issuance of \$500,000,000 in Debt Securities, consistent with Colonial Gas Company, D.P.U. 84-96, at 5 (1984) (see Exh. DTE-1-3).

Accordingly, the Company has demonstrated that its proposed financing meets the Department's standard of review under G.L. c. 164, §§ 14 and 16 for such transactions.

B. The Company Has Demonstrated That It Is in the Public Interest To Grant the Company an Exemption from the Requirements of G.L. c. 164, § 15.

The Company is also requesting that the Department grant an exemption from the requirements of G.L. c. 164, § 15. G.L. c. 164, § 15 generally requires gas or electric companies under the supervision of the Department that sell or issue evidences of indebtedness, payable at periods of more than five years after the date thereof to sell such evidences of indebtedness pursuant to a formal, advertised, competitive-bid process. For the reasons described below, the Company has demonstrated that an exemption from the requirements of G.L. c. 164, § 15 is in the public interest and would provide customer benefits.

The Company noted during the proceeding that financial markets continue to experience volatility (Exh. DTE-1-2). During periods of volatile interest rates, it is extremely important that the Company be able to take advantage of the flexibility offered by negotiated transactions and the underwriters' expert knowledge of marketing securities (*id.*). See Boston Edison Company, D.P.U. 92-253-A at 20 (1993). As discussed above, the Company testified that, in the case of \$500 million of debt securities, as little as a 10 basis point movement in interest rates (1/10 of 1 percent) can result in \$500,000 of additional interest expense each year over the life of the issuance (RR-DTE-5). In this case, the Company has shown that financial markets continue to be volatile (Exh. DTE-1-2; see also RR-DTE-6). In such markets, the competitive bidding requirement would inhibit the Company's ability to vary the form and timing of its issuances, which is necessary in today's fluctuating financial markets (Exh. DTE-1-2).

During the evidentiary hearing in this proceeding, Ms. O'Neil described an example of how using a competitive bid process during volatile financial markets could place the Company and its customers at a cost disadvantage (Tr. at 45-46).

It is not the administrative cost differential between a competitive bid process and a negotiated transaction that is critical (approximately \$10,000); it is the potentially large additional interest cost resulting from the lost flexibility that is significant (\$500,000 per year for each 10 basis-point differential) (RR-DTE-5, at 3; Tr. at 47-48). In a formal bid process, the Company would not be able to vary the form and timing of the issuance to respond to changing market conditions (RR-DTE-5, at 1). For example, while a formal process was pending, if market conditions changed, the Company would need to stop the pending bidding process and reissue the formal solicitation (id.; Tr. at 47). The lost time can be a lost opportunity and additional costs for customers. For example, Ms. O'Neil testified as to how market conditions changed literally overnight making a 30-year debt issuance more attractive than the medium-term note issuance that it had been planning to price the next day. As a result, overnight, the Company changed the form and terms of the debt securities and was able to take advantage of the market change the very next day. If the Company was doing the transaction as a competitive bid, it would have had to (i) proceed with the planned medium-term note issuance or (ii) delay the offering and re-publish its advertisements. Obviously, market conditions would still be subject to changes and there could be no assurances that favorable market conditions would exist at the date of the new competitive bid (Tr. at 45-46).

In addition, potential underwriters do not employ strong pre-marketing efforts in a formal bid transaction because they cannot be assured they will be awarded the securities (RR-

DTE-5, at 3; Exh. DTE-1-2). The record shows that, in a volatile market, this may result in less aggressive bids because without a strong pre-marketing effort, the underwriters cannot be assured that a strong market exists for the particular security. Again, the end result of requiring a formal bidding process is the potential for significantly higher interest costs that will ultimately be borne by customers.

Mindful that the cost of capital may be affected by delays in an offering, over the years, the Securities and Exchange Commission (“SEC”) liberalized and finally repealed its rules under the Public Utility Holding Company Act of 1935, which had previously required competitive bidding in connection with the purchase or underwriting of securities of companies in a registered holding company system. In repealing its competitive bid requirement, the SEC noted that rescission of the rule would permit companies to choose the marketing method that offers the most advantageous terms. SEC Release 35-26031, April 20, 1994.

Accordingly, consistent with Department precedent, the Company requests that the Department find that it is in the public interest to grant an exemption from the provisions of G.L. c. 164, § 15.

C. The Company Has Demonstrated That its Proposal Warrants the Department Granting the Company an Exemption from the Requirements of G.L. c. 164, § 15A.

The Company is also seeking an exemption from the Department from the provisions of G.L. c. 164, § 15A, which generally prohibits gas or electric companies that sell or issue evidences of indebtedness payable at periods of more than one year after the date thereof to sell or issue such evidences of indebtedness at less than the par value or face amount thereof. In support of this request, the Company demonstrated during the proceeding that current market

conditions make it difficult for the Company to price its debt securities at par value at all times and still achieve the lowest interest rate available for such securities (Exh. DTE-1-1). The Company noted that its debt securities are generally issued with a coupon rate equal to a multiple of one-eighth of one-percent or 0.05 percent (id.). However, financial markets price debt securities by reference to a comparable maturity U.S. Treasury security (id.). U.S. Treasury securities, as well as the spread over such securities, are priced in increments of 0.01 percent (id.). Accordingly, the face value of the security is often discounted a very small amount to reflect the finer pricing of the security (id.). As described by Ms. O'Neil in response to a question from the Bench:

If we did not get the exemption from par, we would literally have to wait until the coupon equaled the market yield, and the market yield is based upon Treasuries, which is in denominations of 1 basis point, and spreads, which is in denominations of 1 basis point, versus a coupon, which is a multiple denomination of 5 basis points and an eighth.

So in any given day, there could be a situation whereby the yield that the investor is looking for never equates to a coupon of the debt. You'd never get a yield that's exactly rounded to five basis points or an eighth.

(Tr. at 57).

For example, in October 2002, investment bankers were able to price the Company's debt securities at a yield of 4.965 percent (Exh. DTE-1-1). However, because coupon rates are set in increments of 0.05 percent, the closest interest rate that would have been available would have been 5 percent, resulting in a yield of 5 percent. Because the Company was able to sell the securities at a slight discount from par, the Company was able to set the interest rate at 4.875 percent resulting in the desired yield of 4.965 percent (id.). Alternatively, the Company

would have had to wait until yields and coupons rates were perfectly aligned, which is not frequent.

As noted during the proceeding, the Company's requested exemption meets the standards set forth in Boston Edison Company, D.T.E. 00-62, at 4 (2000). In Boston Edison, the Department recognized that an exemption from Section 15A is appropriate where "market conditions make it difficult at times for a company to price a particular issue at par and simultaneously offer an acceptable coupon rate to prospective buyers." See also Southern Union Company, D.T.E. 01-32, at 8, 12 (2001) and Bay State Gas Company, D.P.U. 91-25, at 10 (1991). The Department also has found that it is in the public interest to authorize debt securities below par value where this technique offers a company enhanced flexibility in entering the market quickly to take advantage of prevailing market rates, particularly if this benefits the company's customers in the form of lower interest rates and a lower cost of capital. Id. See also, Southern Union Company, D.T.E. 01-32, at 8 (2001), Boston Gas Company, D.P.U. 92-127, at 8 (1992); Boston Edison Company, D.P.U. 91-47, at 12-13 (1991).

As noted during the proceeding, the requested exemption from the par value requirements of G.L. c. 164, § 15A will provide greater flexibility for the Company in structuring the terms for the proposed debt securities so that it can price its securities at the lowest precise rates available to the Company for that issue of debt securities. This flexibility will allow the Company to issue the debt securities regardless of daily vagaries of the financial markets. Without this ability to set the effective interest rate most precisely through a small discount on the par value of the bonds, the Company would likely have to pay a higher interest rate to sell the debt securities resulting in a higher cost of capital (Exh. DTE-1-1). Accordingly,

the Company has demonstrated that its request for an exemption from the provisions of G.L. c. 164, § 15A is in the public interest and should be approved.

V. CONCLUSION

The record in this proceeding shows: (1) that the Company's Debt Securities issuance is reasonably necessary to accomplish a legitimate purpose in meeting a company's service obligations, pursuant to G.L. c. 164, § 14; and (2) that the Company's net-utility plant equals or exceeds its total capitalization and will continue to do so following the proposed issuance, pursuant to G.L. c. 164, § 16. Therefore, for the reasons stated above, the Department should:

VOTE: That the issuance by Boston Edison Company from time to time, on or before December 31, 2005, of long-term debt securities in an amount not to exceed \$500,000,000 is reasonably necessary for the purposes stated;

VOTE: That the issuance and sale from time to time, on or before December 31, 2005, of long-term debt securities by Boston Edison Company in an amount not to exceed \$500,000,000, consisting of one or more series of Debentures, Term Loans or Tax-Exempt Loans, at less than par value is in the public interest, and that if a security is sold at less than par value it is in the public interest to amortize the discount over the life of the security;

ORDER: That the issuance by Boston Edison Company from time to time, on or before December 31, 2005, of long-term debt securities in an amount not to exceed \$500,000,000 is reasonably necessary for the purposes stated;

ORDER: That such authorized long-term debt securities issued by Boston Edison Company shall carry a fixed interest rate not to exceed an effective rate of 10

percent per annum, or a variable interest rate to vary with a market index designated at the time of issue, but which will not exceed 10 percent per annum;

ORDER: That the net proceeds of the issue and sale of such securities shall be used for the payment at maturity of certain outstanding long-term debt securities; for the refinancing of long-term debt and/or equity securities; for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations of the Company incurred for such purposes; for the repayment of short-term debt balances, and, in the case of tax-exempt loans, debt service reserve funds and similarly required funds; and/or for general working capital purposes;

ORDER: That the issuance and sale from time to time, on or before December 31, 2005, of long-term debt securities by Boston Edison Company in an amount not to exceed \$500,000,000, consisting of one or more series of Debentures, Term Loans or Tax-Exempt Loans, at less than par value is in the public interest, and such issuance and sale shall be exempt from the provisions of G.L. c. 164, § 15A; and that if a security is sold at less than par value it is in the public interest to amortize the discount over the life of the security; and


ORDER: That the issuance and sale from time to time, on or before December 31, 2005, of long-term debt securities by Boston Edison Company in an amount not to exceed \$500,000,000, without complying with the competitive bidding

provisions of G.L. c. 164, § 15, is in the public interest, and that such issuance and sale shall be exempt from the provisions of G.L. c. 164, § 15.

Respectfully submitted,

BOSTON EDISON COMPANY
d/b/a NSTAR ELECTRIC

By its attorneys,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", is written over a horizontal line.

Robert N. Werlin, Esq.

John K. Habib, Esq.

Keegan, Werlin & Pabian, LLP

265 Franklin Street

Boston, MA 02110

(617) 951-1400

Dated: March 12, 2004